

How do my alternative options compare to an ESOP?

	Status Quo	Minority Sale	Majority Sale	Full Sale	ESOP
Retained Ownership	100%	>50%	Typically 10-40%	0%	Varies
Operational Control	Maintained	Maintained	Released	Released	Maintained
Financial Value	None Realized	Partially Realized	Partially Realized	Fully Realized	Varies
Leadership	Continuous and Uniform	Continuous	Continuous and Dynamic	Dynamic	Continuous
Risks	Highest Liquidity and Execution Risk	Partial Reduction in Risk	Major Reduction in Risk	Full Reduction in Risk	Partial or Full Reduction in Risk
Potential Benefits	<ul style="list-style-type: none"> -Stability in the direction and the leadership of the business -Maintain operational and financial control 	<ul style="list-style-type: none"> -Investors provide additional capital support -Ability to participate in the future growth of the business -Partner willing to support growth or acquisition initiatives -Access to strategic resources: logistics, IT, HR, etc. -More robust financial reporting 	<ul style="list-style-type: none"> -Investors provide additional capital support -Ability to participate in future growth of the business -Access to strategic resources: logistics, IT, HR, etc. -Access to value-added support and strategic guidance -“Professionalization” of the business 	<ul style="list-style-type: none"> -Business value is fully realized and can be reinvested into lower risk investments -Access to strategic resources: logistics, IT, HR, etc. -Access to value-added support and strategic guidance -Complete alleviation of execution risk and succession planning concerns 	<ul style="list-style-type: none"> -Potential tax-free sale -Rewards employees -Keeps company’s culture in place -Allows owner to “structure” exit -Low execution risk -Maintain control while providing liquidity for the owner

Potential Implications	<ul style="list-style-type: none"> -Must fund the Company with internal cash flows -No way to monetize value in the Company beyond dividends or salaries -No new “blood” to diversify leadership -Complete execution risk lies with Management -Succession planning not addressed; “till death do you part” strategy 	<ul style="list-style-type: none"> -Middle management likely to stay post-transaction -Partner to share execution risk -Board representation / quarterly board meetings -Negative covenants, minority shareholder protections -Required exit in future (equity recap only) 	<ul style="list-style-type: none"> -Partner will seek aggressive growth and/or acquisition initiatives -Middle management could be eliminated post-transaction -Partner to share execution risk -Allows current ownership to transition out of the business over time 	<ul style="list-style-type: none"> -Cultural impact to the business -Integration risk -No participation in the future of the business 	<ul style="list-style-type: none"> -No outside expertise or synergies from potential partners -Repurchase liabilities -In a partial that moves to a full, valuation can be lower in a staged transaction -Cash flow to service debt and growth could become constrained
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